

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE JACKSON)	
COUNTY RURAL ELECTRIC COOPERA-)	
TIVE CORPORATION FOR AUTHORITY)	
TO BORROW FROM THE NATIONAL RURAL)	
UTILITIES COOPERATIVE FINANCE)	CASE NO. 8852
CORPORATION (CFC) AND TO)	
EXECUTE ITS MORTGAGE NOTE OR A)	
SERIES OF MORTGAGE NOTES TO)	
SECURE THE SAME)	

O R D E R

Jackson County Rural Electric Cooperative Corporation ("Jackson County") filed its application on May 31, 1983, for authorization to borrow funds and amended its application on June 20, 1983, to request a certificate of convenience and necessity to construct certain improvements and additions to its existing plant. These improvements and additions, as more specifically described in the application and record, are estimated to cost \$5,285,440 and will be financed by a loan of \$2,626,000 from the Rural Electrification Administration ("REA"), a loan of \$1,185,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC") and \$1,533,690 from internal funds. The Commission requested additional information from Jackson County on June 13 and June 24, 1983, which was received on June 20, and July 1, 1983.

The Public Service Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

1. Jackson County is seeking to borrow funds from the REA. On November 12, 1982, the Franklin Circuit Court issued its opinion in West Kentucky RECC v. Energy Regulatory Commission. Therein, the Court held that the Commission had no authority to approve or disapprove borrowings from the REA since the REA is an agency of the federal government and KRS 278.300(10) exempts such borrowing from Commission regulation. Accordingly, the Commission takes no action on the REA portion of Jackson County's proposed borrowing.

2. Public convenience and necessity require the construction by Jackson County of the improvements and additions to its existing plant as described in the application and record, and that a certificate be granted.

3. The proposed borrowing from CFC is for lawful objects within the corporate purposes of Jackson County, is necessary and appropriate for and consistent with the proper performance by Jackson County of its service to the public, and will not impair its ability to perform that service.

4. On March 18, 1983, CFC initiated a new policy concerning variable interest rate financing applied to CFC long-term loans and procedures used by member systems in requesting the application of such rates to new loans and to existing loans which may be eligible for the variable rate.

At this time, Jackson County has chosen not to implement this program. However, in some instances implementation of this program may result in substantial cost savings. Jackson County should periodically evaluate its outstanding loans which have optional term provisions and take advantage of any savings in interest cost which may be achieved through conversion. If Jackson County should choose to implement the variable interest rate program on loans approved herein, or other loans which have been approved under different terms, and are eligible for variable terms, Jackson County should file an amended application seeking approval of such from this Commission.

IT IS THEREFORE ORDERED that Jackson County be and it hereby is granted a certificate of convenience and necessity to proceed with the construction as set forth in the application and record.

IT IS FURTHER ORDERED that Jackson County be and it hereby is authorized to borrow \$1,185,000 from CFC for a 35-year period, at an initial interest rate of 11 percent per annum for the first 7 years of the loan and to be subject to adjustment thereafter.

IT IS FURTHER ORDERED that Jackson County be and it hereby is authorized to execute its notes as security for the loan herein authorized.

IT IS FURTHER ORDERED that the proceeds from the proposed borrowing shall be used only for the lawful purposes set out in the application and record.

Nothing herein contained shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 20th day of July, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary